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**PROFILE OVERVIEW**

Gambling

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11.16.2015

Industry Overview

Companies in this industry operate gambling facilities or offer gaming activities. Major companies include US-based casino operators Caesars Entertainment, Las Vegas Sands, and MGM Resorts, as well as Galaxy Entertainment and SJM Holdings (Hong Kong), Tatts Group (Australia), and UK-based IGT and William Hill.

Worldwide, gambling generates more than $450 billion in annual revenue, according to Global Betting & Gaming Consultants. Major casino gaming markets outside the US include Macau, Singapore, Australia, and South Korea. As gambling continues to expand in new markets, particularly in Asia, global industry revenue is expected to exceed $525 billion by 2019.

* [View All Industry Overview](http://mergent.firstresearch-learn.com.ezproxy.apollolibrary.com/industry_detail.aspx?pid=140&chapter=1)

News and Social

* [View All News and Social](http://mergent.firstresearch-learn.com.ezproxy.apollolibrary.com/ViewAllNewsAndSocial.aspx?pid=140)

Quarterly Industry Update

**Trend: More Casinos Bet on REITs**

Casino giant MGM Resorts International, which has been stung by a drastic downturn in Macau, is betting on a long-term payoff by forming a real-estate investment trust (REIT) that will assume $4 billion in debt. Rival casino operators such as Caesars Entertainment Corporation, Penn National Gaming, and Pinnacle Entertainment have already converted their properties into more tax-efficient REITs. MGM followed suit as part of a restructuring plan after a yearlong slump in the once-flourishing Chinese territory of Macau, where it has invested heavily. Operating as MGM Growth Properties, the proposed REIT will comprise 10 of MGM’s properties, mainly in Las Vegas but also in Michigan and Mississippi. Fewer wealthy Chinese VIPs are heading to casinos in Macau after the Chinese government launched a widespread anti-corruption crackdown in mid-2014. Tighter visa restrictions and fewer new resort openings are also making Macau more bust than boom for casino developers. Besides MGM, casino operators hurt most by the downturn in China include Wynn Resorts and Las Vegas Sands Corp. Macau's revenue from gambling dropped by 36% in the first nine months of 2015 compared to the same period the year before, according to *The Wall Street Journal*.

**Industry Impact**

More of the nation’s largest casino operators are looking to form real-estate investment trusts to benefit from their inherent tax advantages, reduce debt, and re-energize their stock prices.

**Conversation Starter**

**What strategies have helped the company mitigate cyclicality in revenue?**

* [View All Updates](http://mergent.firstresearch-learn.com.ezproxy.apollolibrary.com/industry_detail.aspx?pid=140&chapter=2)

Industry Forecast

Revenue (in current dollars) for US gambling operations is forecast to grow at an annual compounded rate of 4% between 2015 and 2019. Data Published: September 2015



First Research forecasts are based on INFORUM forecasts that are licensed from the Interindustry Economic Research Fund, Inc. (IERF) in College Park, MD. INFORUM's "interindustry-macro" approach to modeling the economy captures the links between industries and the aggregate economy. [Forecast FAQs](javascript:popOutFAQ();)

Critical Issues

**Demand Linked to Economic Cycles**- Gambling revenue is affected by the health of the economy, including the growth of personal income. During the recession of the late 2000s, casinos were hurt by the decrease in consumer spending and the tightening of credit markets. The latter affected the ability of companies to make capital improvements or expand operations. Las Vegas was particularly affected; the number of layoffs and home and business foreclosures in Nevada was among the highest in the US.

* [View All Critical Issues](http://mergent.firstresearch-learn.com.ezproxy.apollolibrary.com/industry_detail.aspx?pid=140&chapter=11)

Business Challenges

**High Capital Requirements**- Companies have large capital investments in facilities and gaming equipment and usually a large amount of debt. Gambling companies routinely spend more than 10% of annual revenue on capital investments. To grow, companies typically need to raise substantial funds. Many companies have a high debt-to-equity ratio and are exposed to interest rate risk.

* [View All Business Challenges](http://mergent.firstresearch-learn.com.ezproxy.apollolibrary.com/industry_detail.aspx?pid=140&chapter=3)

Business Trends

**More Emphasis on Company Meetings**- As a result of decreasing visits by tourists, casino hotels now devote more resources to attracting smaller and midsize business meetings. Company meetings are a double bonus for casino hotels, which benefit both from room rentals and increased casino traffic. However, during the late 2000s recession, business-sponsored travel was sharply curtailed, and even frowned upon, especially for companies that took government bailout funds.

* [View All Business Trends](http://mergent.firstresearch-learn.com.ezproxy.apollolibrary.com/industry_detail.aspx?pid=140&chapter=4)

Industry Opportunities

**New Games**- Because slots, video poker, and other machine games are essentially computerized video games, developing new games and formats is easy. Gaming manufacturers, such as Bally Technologies, tend to introduce several new models each year and often hire video game designers from the consumer video game industry. Although many new models are cosmetic variations on existing games, new games of chance are also being introduced.

* [View All Industry Opportunities](http://mergent.firstresearch-learn.com.ezproxy.apollolibrary.com/industry_detail.aspx?pid=140&chapter=12)

Executive Insight

**Chief Executive Officer - CEO**

**Expanding Operations**  
While gaming revenue drives casino operations, visitors are increasingly attracted by larger properties with lavish entertainment, large hotels, and gourmet restaurants. As state laws have changed to allow gambling, casino operators have expanded into non-traditional gambling locales and grown bigger in existing properties, such as in Las Vegas and Atlantic City. Harrah’s and MGM have both increased their geographic reach and concentration in Las Vegas by opening new properties.

**Conversation Starter**

**What expansion plans does the company have?**

* [View All Executive Insights](http://mergent.firstresearch-learn.com.ezproxy.apollolibrary.com/industry_detail.aspx?pid=140&chapter=5)

Financial Information

**Financial Information**

Financial Information offers vital financial benchmarking information and economic historic trends that you need to assess an industry’s financial strength and growth patterns. You can find critical income statement and balance sheet data and other important financial ratios; valuation multiples; and key economic statistics like Producer and Consumer Prices, Production and Construction figures, as well as Retail and Wholesale Sales.